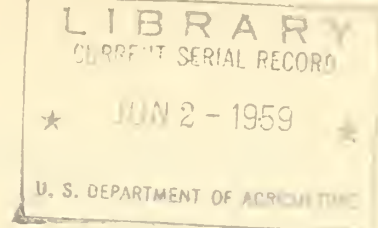


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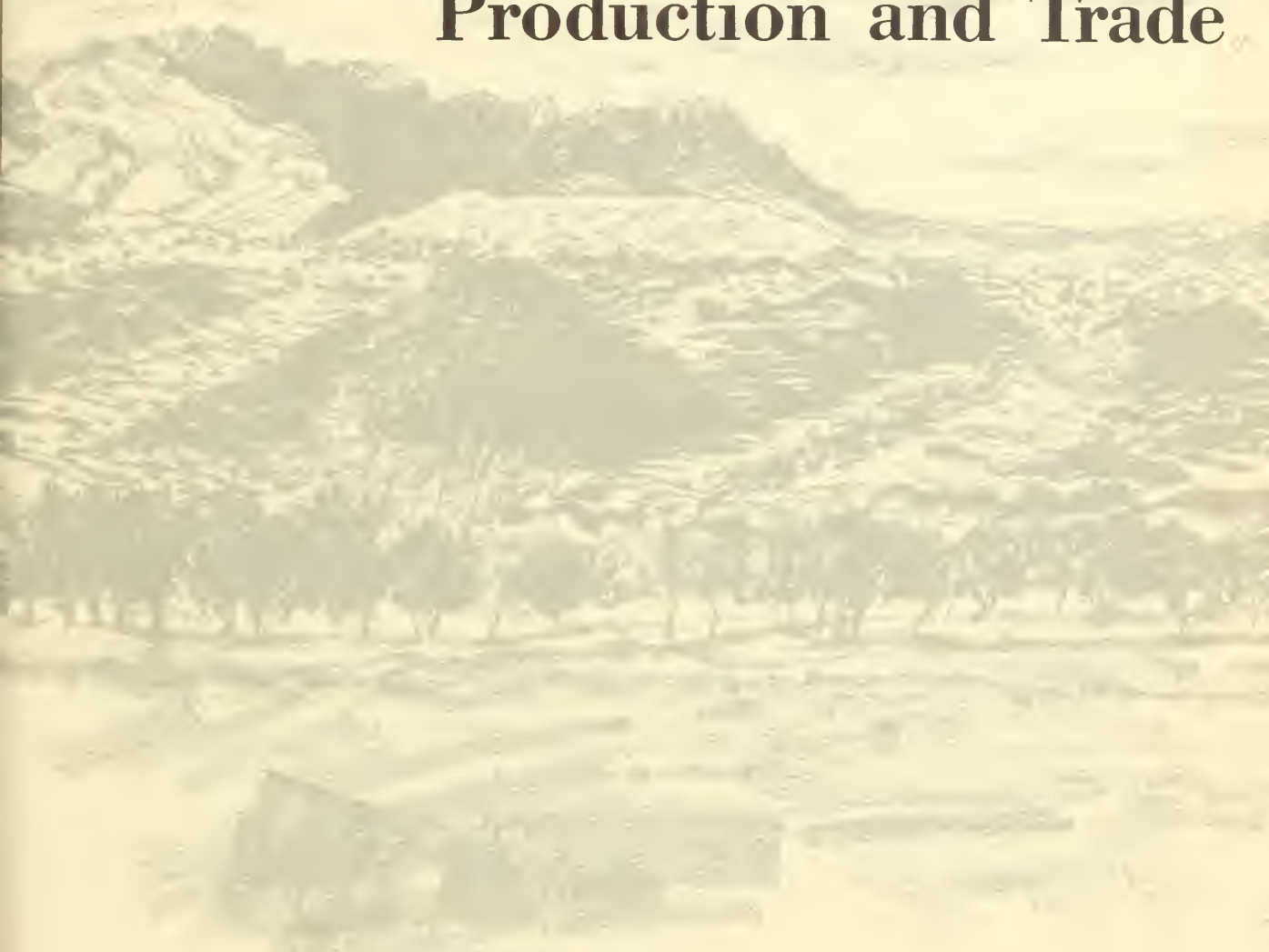
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³ **SPAIN**

Changes in Agricultural Production and Trade



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U.S. Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

SPAIN: Changes in Agricultural Production and Trade

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GENERAL ECONOMIC SITUATION

The Spanish economy has in recent years been growing at a rapid rate. According to Spanish official estimates, Spain's national income increased by more than 30 percent from 1953 to 1958, at an average of about 6 percent a year. This is a high rate of growth even by Western European standards. However, Spain's per capita income is still one of the lowest in Western Europe. Per capita food consumption is still less than 2,600 calories per day; the diet, high in grains and pulses, low in livestock products.

Spain's economic growth in the last few years has been almost entirely due to its rapid industrial development. The official index of industrial production rose by 63 percent from 1950 to 1957. Agricultural production also rose during this period, but at a comparatively slow rate. According to an index prepared by FAS, agricultural production in Spain during 1956-58 averaged only 10 percent¹ higher than in 1949-51--and 1956-58 was the highest 3-year average on record--whereas agricultural production in Western European countries combined had increased by 16 percent. Compared with 1931-35 (before Spain's civil war) Spanish agricultural production had increased only 11 percent by 1956-58, whereas agricultural production in Western European countries combined had increased by 30 percent. Since Spain's population meanwhile had increased by 21 percent, its per capita index of agricultural production declined to 92 percent of that before the Civil War; for Western European countries combined, however, per capita agricultural production in 1956-58 was 112 percent of prewar.

Spain's high rate of industrial development in recent years was aided by large-scale economic assistance from the United States--a total of \$1.1 billion from 1951 through the end of the current fiscal year, including sales of U. S. farm commodities for pesetas. Nevertheless, Spain's foreign payments position has deteriorated to the point where its official gold and foreign exchange reserves are barely sufficient for one month's imports. The value of its currency on foreign free markets has declined to nearly 40 percent below the so-called "official" rate and Spain has gradually returned to a system of multiple exchange rates like the one it had abolished when it devalued the peseta in April 1957. Under this system the effective foreign exchange rate for some commodities is close to the free rate.

The strain on Spain's balance of payments has been caused chiefly by heavy inflationary pressures. The Spanish Government has quantitative restrictions on all imports, but has permitted substantial increases in imports not only of capital goods and raw materials, but also of consumer goods to meet rising demand resulting from increasing industrial employment and higher wages. Purchases of U. S. surplus farm commodities for pesetas under Title I of Public Law 480 have become increasingly important as a means of combatting inflation and have made possible increased imports and higher consumption than would otherwise have been possible. Without these imports, Spain would probably have had to resume the rationing of some commodities, especially vegetable oil.

In 1958 Spain became a member of the International Monetary Fund and the World Bank and also achieved a somewhat closer degree of association with the Organization for European Economic Cooperation. Commissions from all three organizations have visited Spain in recent months and made recommendations for changes in the country's economic policy. The commission from the International Monetary Fund, which visited

¹ Eleven percent excluding citrus fruit in both periods; a heavy freeze in February 1956 reduced the 1956 crop sharply, and also had some adverse effect on the 1957 crop.

Spain in late February and early March 1959, reportedly set forth conditions which Spain must meet to obtain loans from the International Monetary Fund. The Spanish Government has for some time been working on plans for economic reforms. The Minister of Commerce in a speech in mid-March stated that the Spanish economic program would liberalize Spain's economy, achieve monetary stability, and integrate Spanish foreign trade and payments with the system found in the principal European countries since the commencement of the European Common Market and of currency convertibility.

The goal of a sounder foreign exchange and monetary position will probably necessitate a reduction in the rate of industrial investment, in particular deficit-financed public investment; this would slow down the rate of industrial development. On the other hand, most observers of the Spanish economy agree that investments in agriculture should be increased in order to reduce import requirements and increase exports of agricultural commodities, as well as to reduce the wide disparity between agricultural and industrial incomes.

TYPE OF AGRICULTURE

In spite of recent rapid industrial development, Spain is still basically an agricultural country. Nearly half of the Spanish population depended on agriculture for a livelihood in 1950, according to the census taken in that year. Although a considerable shift to urban employment has occurred since then, the agricultural population still represents more than two-fifths of the total. Over half of Spain's exports consist of agricultural products.

However, Spain is poorly endowed for agricultural production. In size the country ranks second in Western Europe after France, with a low population density by European standards--158 per square mile. But Spain has a rugged relief and a dry climate. Only 40 percent of the country has an elevation less than 1,640 feet, and 20 percent is above 3,280 feet. It is the only country in Western Europe with large areas that receive less than 16 inches of precipitation a year. Moreover, precipitation is poorly distributed through the year and highly uncertain.

The Meseta or plateau, in the center of which lies Madrid, occupies most of the interior of Spain. Mountain ranges border this vast tableland on the north, east, and south; the Central Sierras divide it into northern and southern parts along the boundary between Old and New Castile. The Meseta has an extreme climate with cold winters and hot, dry summers; toward the south and east, the summers grow even hotter and drier, though the winters grow milder. On the Meseta, grains (especially wheat in rotation with fallow), olives, and grapes for wine are generally the principal crops, and sheep and goats that graze on the sparse pastures and fallow land are the main animals. Most of the products of this area are consumed within the country.

The coastal plains are narrow almost everywhere except in the lower Guadalquivir Valley in the southwest, in which Seville lies. With less extreme climate and much greater possibilities of irrigation, the coastal regions have more varied crops, including many fruits and vegetables grown for export. Production of oranges, Spain's most important export, centers chiefly in the eastern coastal provinces of Valencia and Castellón; that of table olives, in the Seville area. The only other large low-lying plain is the Ebro Valley in the northeast. This is almost completely surrounded by mountains and has a dry climate similar to that of the Meseta. Only northern Spain, which is largely mountainous, has ample precipitation. The northwest is the principal producing area for corn, potatoes, kidney beans, cattle, and hogs.

Of the total area of Spain, nearly half is used for crops at least in some years, but less than three-tenths is under crops in any one year. More than one-third of the total area consists of grazing land, not including fallow land used for pasture. Crops for direct human consumption receive chief emphasis: wheat first of all, then olives and grapes. All of these crops grow mostly on unirrigated land. About 3-1/2 percent of Spain's total

area, or 12 percent of the land actually in crops (not including fallow) is irrigated. The irrigated area produces practically all the citrus fruit, rice, and sugarcane; most of the sugar beets, truck crops and tobacco; and more than one-third of the potatoes, corn, and kidney beans. Well-integrated crop and livestock farms are exceptions, particularly in the central and southern part of the country. Much of the livestock depends largely on poor natural vegetation, which dries up during the summer. Although Spain is by tradition a pastoral country, it has a low output of livestock products.

Spanish farms are characteristically either small or very large. Most of the large estates of southern and western Spain have all the features commonly associated with absentee ownership: poverty-stricken, landless workers hired by managers or large tenant farmers, an extensive type of land use, and out-dated production methods. The small farms are owner-operated or rented on a cash or share basis from large or small, but generally absentee, owners. Often too small to support a subsistence level of living, and usually composed of a number of scattered plots, they are mostly intensively worked with primitive techniques. But in the management of irrigated land, olive groves, vineyards, and certain types of fruit and nut trees, farmers have long maintained good standards.

CHANGES IN AGRICULTURAL PRODUCTION

Some of Spain's principal crops have shown substantial increases between 1931-35 and 1956-58, the most notable being in cotton. Before the Civil War, cotton production was negligible; it now covers from one-third to nearly one-half of domestic requirements. Tobacco production has nearly quadrupled and now covers over half of Spanish requirements. Wheat production during 1956-58 averaged nearly 30 percent above that in 1931-35, and currently Spain is exporting some wheat and flour. Rice production also averaged well above that in 1931-35, but the production of feed grains, except corn, actually showed a substantial decline.

The most striking failure to achieve increased production and the one with the most serious consequences for Spain's foreign exchange position, is in olive oil. Despite some increase in the area of bearing olive trees (about 9 percent from 1931-35 to 1956), output of olive oil is generally below the pre-Civil War average. Whereas until recently Spain was more than self-sufficient in fats and oils, except for occasional years of crop failure, vegetable oil has in recent years become a major agricultural import, second only to cotton and even exceeding it in 1956.

In general, increases in the production of fruit and vegetables have been small, certainly as compared with the substantial increases in some of the countries which compete with Spain. It should be pointed out, however, that the 1956-58 orange and tangerine production figures reflect results of the heavy freeze in February 1956. Also, in 1956, in addition to 26 million orange and tangerine trees in full production, Spain had about 9 million young trees not yet bearing or just beginning to bear.

Livestock production, not included in the table, is difficult to estimate because reliable comparable data are lacking. Indications are that output of livestock products exceeds that in 1931-35, but that it too is lagging behind population growth.

TECHNOLOGICAL ADVANCES

The Spanish Government, like other Western European governments, is taking steps to help farmers modernize their production methods and increase productivity. But, as in most of the less advanced countries, the major development emphasis has been on industry rather than on agriculture. Agricultural investment in Spain, private as well as public, has shown a recent upward trend, both in absolute terms and relative to total investment. But, including reforestation it still accounted for only 14 percent of the country's total investments during 1954-56, even though more than 40 percent of the

TABLE 1.--Selected agricultural commodities: Production, average 1931-35, annual 1956-58

| Commodity | Average 1931-35 | 1956 | 1957 | 1958 ¹ |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> | <i>1,000 metric tons</i> |
| Wheat..... | 3,582 | 4,196 | 4,900 | 4,400 |
| Rye..... | 542 | 511 | 496 | 500 |
| Barley..... | 2,089 | 1,551 | 1,881 | 1,750 |
| Oats..... | 522 | 452 | 535 | 600 |
| Corn..... | 666 | 714 | 771 | 725 |
| Rice..... | 269 | 384 | 388 | 380 |
| Chick peas..... | 115 | 146 | 132 | 143 |
| Broad beans..... | 204 | 96 | 105 | (²) |
| Kidney beans..... | 116 | 105 | 110 | 118 |
| Sugar beets..... | 2,150 | 2,742 | 2,285 | 3,000 |
| Potatoes..... | 3,890 | 4,307 | 3,954 | 4,300 |
| Tomatoes..... | 700 | 818 | 870 | 830 |
| Onions..... | 592 | 576 | 585 | 600 |
| Wine..... | 1,882 | 2,114 | 1,740 | 1,800 |
| Table grapes..... | 215 | 245 | 213 | (²) |
| Olive oil, pressed..... | 353 | 396 | 320 | 320 |
| Table olives..... | 24 | 57 | 60 | 55 |
| Oranges and tangerines..... | 1,044 | ³ 488 | 1,183 | 1,325 |
| Lemons..... | 55 | ³ 18 | 41 | (²) |
| Figs..... | 244 | 180 | 181 | (²) |
| Almonds..... | 140 | 60 | 166 | (²) |
| Bananas..... | 183 | 268 | 283 | 285 |
| Cotton (lint basis)..... | 2 | 49 | 38 | 43 |
| Tobacco..... | 7 | 27 | 25 | 25 |

¹ Preliminary estimate.

² Not available.

³ Heavy freezes in February 1956 destroyed most of citrus fruit on the trees at the time and resulted in a very short crop in following season 1956-57.

population was agricultural. About half of the total investment in agriculture came from private sources during the period 1950 to 1956.

The substantial increases which have taken place in the production of some crops have resulted partly from technological improvements. The number of tractors rose from about 12,000 in 1950 to 32,000 by the end of 1958; this still amounted to only 1 tractor for more than 1,500 acres of cropland. In the crop year 1957-58 the quantity of commercial fertilizer used was more than twice the averages for 1931-35 and 1948-52. The rate of fertilizer application is still low, however, especially that of nitrogen, for which Spain largely depends on imports. Animal manures are not important sources of plant nutrients in Spain except in the northern provinces. Improvements have also taken place in the fields of plant protection, use of selected seeds, livestock raising, and so forth. The activities of the new extension service, established with American assistance in 1956, are still on a relatively small scale, but in areas where they are in operation, they may be expected to help modernize farming techniques further.

Direct investments in agriculture by the government are aimed primarily at overcoming Spain's major agricultural deficiency--insufficient water. They consist chiefly of land reclamation and irrigation projects, reforestation, and watershed improvement. Such programs sometimes result in sharp increases in the productivity of the land improved, though often at very high cost. Some of the projects of the National Colonization Institute, such as the one in Badajoz, are on an ambitious scale, involving not only land reclamation and other means of intensifying agricultural production, but also electrification and industrialization, and even the creation of whole new villages and towns. Spain has a law under which owners of large holdings declared "capable of improvement" may be forced to sell unless they carry out required improvements. The National Colonization Institute may buy such properties for improvement and redistribution. Up to the end of 1958 only 50 farms covering about 100,000 acres had been declared "capable of improvement" under this law.

REGULATIONS AND INDIRECT AIDS TO AGRICULTURE

Prices of most farm products are subject to control at some point in the channels of distribution, including prices paid to the farmer, for basic products. Wheat is probably the most strictly controlled crop. The National Wheat Service (NWS) fixes prices and is the only authorized buyer of wheat from the farmer. It also controls the markets for other grains and dry legumes, but not to the same extent. There is a support price for rye, at which the NWS will buy rye offered to it, though the farmer may sell freely elsewhere. A similar system exists for rice, except that it is the Rice Growers Federation which stands ready to buy the rice at support prices, but only rice grown on acreage allotments.

Floor prices are fixed each year for corn, barley, oats, and dry legumes; the NWS, which stands ready to intervene on the market to maintain the floor price, also occasionally steps in to prevent price rises. There are minimum producer and maximum consumer prices for olive oil, and fixed prices for imported oil, also for sugar beet and cane, cotton, and tobacco. Wine prices are supported by the Wine Surplus Purchasing Commission.

Premium prices are paid for wheat, rice, sugar beets, and cotton produced on land which has been improved with private funds and little or no government help. These appear to represent primarily a form of subsidy for land improvements. There are minimum acreage requirements for wheat, oilseeds (in certain irrigated areas), and, in some cases, for forage crops, and limitations on acreage or production of rice, sugar, tobacco, and wine. Legislation on citrus fruit plantings is designed to encourage planting of export varieties and avoid citrus plantings in unsuitable areas.

In addition to projects undertaken directly by government agencies, the government subsidizes land consolidation, reforestation, and the construction of grain storage facilities and manure pits. It grants interest-free loans for the construction of irrigation facilities, farm buildings, and processing facilities, as well as for electrification, tree planting, and so forth. Through the National Agricultural Credit Service and the National Institute of Colonization it makes credit available to farmers and farm organizations at moderate interest rates (2.75 percent to 4 percent on loans from the Agricultural Credit Service). A decree of 1955 fixes the minimum number of persons that must be employed on the larger farms, the number of hectares per laborer varying with the type of land and crop. This, of course, increases costs in some cases and discourages the use of cost-saving machinery.

REGULATION OF FOREIGN TRADE

Spanish tariffs on most agricultural products are quite high; a new tariff schedule is at present being worked out to replace the one now in effect. Licenses are required for all imports and all foreign exchange transactions are subject to government restrictions. Widespread violations of these regulations occur, however, as was pointed up recently by the publication of lists of persons with illegal deposits in

Swiss banks, some of whom were fined and had their accounts confiscated. Indications are that illegal imports and exports reach sizable proportions.

Practically all imports of agricultural commodities are handled on a call-for-bids basis by the government or by semigovernmental organizations--food chiefly by the government's General Commission for Supply and Transport (Abastos), cotton by the National Cotton Center, and tobacco by the State Tobacco Monopoly.

At present Spain carries on its foreign trade largely under bilateral trade agreements. It obtains a substantial share of its agricultural imports from the United States under P. L. 480 agreements and section 402 of the Mutual Security Act.

All exports are subject to export licenses, which often take a long time to obtain. Open licenses are granted to exporters at the beginning of the season, however, for some products. Minimum export prices are set up each year for a number of commodities. The principal aid to exports is the multiple-exchange-rate system under which effective exchange rates vary according to the commodity exported (or imported). This system was abolished in April 1957, when the currency was devalued to 42 pesetas to the dollar, but is now again in effect.

AGRICULTURAL TRADE

Changes

During the years 1953-58 there was a substantial increase in Spain's agricultural imports. However, their share of total import value moved up only slightly, since non-agricultural imports also increased substantially. Agricultural exports represented a somewhat smaller portion of total exports in 1956 and 1957 (48 percent and 50 percent) than in 1953-55 (52-56 percent), owing in part to short orange crops. In 1958, however, they went up again sharply. The orange crop in 1957-58 was nearly normal and markets were favorable that year.

TABLE 2.--Foreign trade: Total, agricultural,¹ and U. S. share of agricultural, 1953-57 and January-October 1957 and 1958

| | Imports | | | | Exports | | | |
|-----------|--------------------------|--------------------------|------------------|------------------|--------------------------|--------------------------|------------------|------------------|
| | Total | Agricultural | | | Total | Agricultural | | |
| | | Value | Percent of total | Share from U.S. | | Value | Percent of total | Share to U.S. |
| | <i>Mil. gold pesetas</i> | <i>Mil. gold pesetas</i> | <i>Percent</i> | <i>Percent</i> | <i>Mil. gold pesetas</i> | <i>Mil. gold pesetas</i> | <i>Percent</i> | <i>Percent</i> |
| 1953..... | 1,838 | 500 | 27 | 24 | 1,479 | 832 | 56 | 10 |
| 1954..... | 1,882 | 496 | 26 | 43 | 1,422 | 740 | 52 | 10 |
| 1955..... | 1,890 | 482 | 26 | 39 | 1,366 | 743 | 54 | 10 |
| 1956..... | 2,347 | 651 | 28 | 54 | 1,353 | 654 | 48 | ² 16 |
| 1957: | | | | | | | | |
| Jan.-Dec. | 2,639 | 700 | 27 | 48 | 1,456 | 731 | 50 | 10 |
| Jan.-Oct. | 2,179 | 568 | 26 | (³) | 1,120 | 529 | 47 | (³) |
| 1958, | | | | | | | | |
| Jan.-Oct. | 2,129 | 621 | 29 | (³) | 1,198 | 745 | 62 | (³) |

¹ Computed in FAS on the basis of U.S. definitions. Includes trade of the Canaries, Ceuta, and Melilla.

² This unusually high percentage was due chiefly to exceptionally large olive oil exports.

³ Not available.

Estadística del Comercio Exterior de España, annual 1953-57, monthly October 1957 and 1958, except as noted.

TABLE 3.--Principal agricultural commodities: Quantity and value of trade, total and U.S. share, 1954 and 1957

| Commodity | 1954 | | | 1957 | | |
|------------------------------|-----------------|------------------|-------------------|-----------------|------------------|-------------------|
| | Quantity | | Value | Quantity | | Value |
| | Total | U. S. share | | Total | U. S. share | |
| | 1,000 met. tons | 1,000 met. tons | Mil. gold pesetas | 1,000 met. tons | 1,000 met. tons | Mil. gold pesetas |
| Imports: | | | | | | |
| Cotton..... | 63 | 33 | 153 | 61 | 41 | 141 |
| Edible oil..... | 1 | 1 | 1 | 114 | 110 | 137 |
| Crude rubber..... | 15 | (¹) | 30 | 31 | 2 | 67 |
| Meat, fresh and frozen | 1 | 0 | 2 | 32 | 22 | 54 |
| Tobacco..... | 16 | 2 | 35 | 21 | 4 | 50 |
| Wheat..... | 716 | 492 | 175 | 140 | 84 | 29 |
| Eggs, fresh..... | 3 | 0 | 8 | 10 | 3 | 24 |
| Coffee..... | 3 | (¹) | 13 | 6 | (¹) | 23 |
| Wool..... | 1 | 0 | 4 | 3 | 0 | 17 |
| Raw fibers..... | 13 | 0 | 8 | 22 | (¹) | 17 |
| Sugar..... | 14 | (¹) | 4 | 36 | (¹) | 17 |
| Barley..... | 53 | 0 | 10 | 86 | 84 | 16 |
| Tallow..... | 3 | 1 | 2 | 23 | 21 | 14 |
| Oilseeds..... | 10 | 1 | 7 | 18 | (¹) | 12 |
| Potatoes..... | 53 | 0 | 7 | 64 | 0 | 11 |
| Corn..... | 45 | (¹) | 10 | 50 | 50 | 9 |
| Sausage casings..... | 1 | 1 | 2 | 3 | 1 | 8 |
| Other..... | -- | -- | 25 | -- | -- | 54 |
| Total..... | -- | -- | 496 | -- | -- | 700 |
| Exports: | | | | | | |
| Oranges and tangerines | 808 | 0 | 220 | 459 | 0 | 125 |
| Wine..... | 155 | 1 | 65 | 148 | 2 | 79 |
| Olive oil..... | 28 | 10 | 52 | 23 | 3 | 59 |
| Tomatoes..... | 131 | (¹) | 69 | 145 | 0 | 55 |
| Olives..... | 24 | 20 | 41 | 31 | 25 | 54 |
| Canned fruit and vega. | 48 | (¹) | 27 | 64 | 1 | 50 |
| Almonds..... | 14 | 1 | 37 | 15 | 0 | 50 |
| Bananas..... | 101 | 0 | 42 | 93 | 0 | 35 |
| Potatoes..... | 70 | 0 | 16 | 167 | 0 | 29 |
| Grapes..... | 48 | 0 | 21 | 50 | 0 | 28 |
| Rice..... | 60 | 0 | 32 | 65 | 0 | 23 |
| Filberts..... | 2 | (¹) | 4 | 6 | 0 | 16 |
| Brandy..... | 3 | (¹) | 8 | 5 | (¹) | 11 |
| Apricots, fresh and dry..... | 13 | 0 | 4 | 14 | 0 | 9 |
| Paprika..... | 6 | 3 | 9 | 4 | 2 | 8 |
| Wheat..... | 0 | 0 | 0 | 21 | 0 | 8 |
| Other..... | -- | -- | 93 | -- | -- | 92 |
| Total..... | -- | -- | 740 | -- | -- | 731 |

¹ Less than 500 metric tons.

Estadística del Comercio Exterior de España, 1954 and 1957.

Before the Civil War the value of Spain's agricultural exports was well above that of its agricultural imports. During 1953-55 also the value of agricultural exports was nearly three-fifths greater than that of agricultural imports. In 1956 and 1957, however, they were about equal, principally because of a sharp rise in agricultural imports. Present indications are that these high agricultural import requirements may not be only a short-run phenomenon. Most of the increase consists of vegetable oil, production of which will probably be short of requirements for some time to come.

Exports

Spain's principal export is citrus fruit, chiefly oranges. During 1953-55, exports of all citrus fruit accounted in value terms for nearly one-fourth of the total exports of Spain, excluding the Canaries, Ceuta, and Melilla, and for nearly one-fifth of total exports if these areas are included. Other important agricultural exports include wine, olive oil, tomatoes (mostly from the Canaries), olives, bananas (from the Canaries), rice, almonds and filberts, potatoes, grapes, and canned fruits and vegetables.

Spain's principal markets for agricultural products are mostly Western European countries, in particular the United Kingdom, West Germany (the largest market for Spanish oranges) and France. The United States is also an important market, normally ranking in third or fourth place. It takes 10 percent or more of Spain's total agricultural exports in value terms--most of its olive exports and a substantial part of its paprika and olive oil exports. Other fairly large exports to the United States are wine, especially sherry, and almonds.

TABLE 4.--Specified commodities: Quantity indices of production and trade, Spain and Western Europe, average 1951-55

[Prewar = 100¹]

| Commodity | Production | | Exports | | Imports |
|----------------------------|------------|----------------------------|---------|----------------------------|----------------------------|
| | Spain | Continental Western Europe | Spain | Continental Western Europe | Continental Western Europe |
| Citrus fruit..... | 102 | 141 | 102 | 124 | 179 |
| Wine..... | 97 | 102 | 77 | 96 | 100 |
| Olive oil..... | 102 | 120 | 47 | 55 | 78 |
| Tomatoes..... | 116 | 145 | 146 | 143 | 151 |
| Bananas..... | 116 | ² 168 | 74 | ² 168 | 150 |
| Potatoes..... | 103 | 108 | 64 | 156 | 162 |
| Grapes, table..... | 107 | 146 | 74 | 115 | 130 |
| Rice..... | 133 | 149 | 132 | 157 | 27 |
| Onions..... | 85 | 115 | 82 | 101 | 142 |
| Peas and beans, fresh..... | 170 | 114 | 27 | 89 | 89 |

¹ Source does not state specific years used in base, but they appear to be 1931-35 for Spain, and are probably 1934-38 for other Western European countries.

² Overseas territories.

As cited in Banco Central, Estudio Económico, 1958.

The failure of Spain to expand its exports of agricultural products has not, for the most part, come from lack of demand in European markets for the products of Mediterranean agriculture; exports of similar products from other countries have been increasing. Tomatoes and rice are the only products of which Spanish exports were appreciably greater during 1951-55 than before the war,² and for all products except tomatoes, the Spanish index of agricultural exports was well below that of Western Europe as a whole. The explanation lies largely in Spain's low production figures, though there are other important factors, such as a more attractive domestic market, a cumbersome export policy, including minimum export prices for a number of products and, an unfavorable exchange rate, partly offset, however, by special rates for certain products.

Imports

Spain's principal agricultural imports are cotton, vegetable oil, rubber, meat, tobacco, wheat (not in all recent years), feed grains, coffee, and eggs. Imports of vegetable oil, feed grains and livestock products have become important only very recently owing in large part to increased consumer demand accompanying industrialization, which Spanish agriculture is not able to satisfy. Imports of tobacco, coffee, and rubber have also risen sharply in recent years.

U. S. Share in Imports

Spanish trade data show a substantial increase in recent years in the proportion of total agricultural imports coming from the United States. In 1953 less than 25 percent came from the United States; but this percentage was 43 percent in 1954, 39 in 1955, nearly 55 in 1956, and about 48 in 1957.

It seems likely that the proportion from the United States is in fact somewhat higher than Spanish statistics show. Comparison of Spanish quantitative import data with U. S. export data indicates considerable understatement in the Spanish statistics, which can hardly be accounted for by differences between shipping and delivery dates, adjustments in tare, returns, and the like. The greatest discrepancy is for vegetable oils.

TABLE 5.--Export programs: U. S. agricultural exports to Spain, by type of financing,¹ 1955-58

| Item | 1955 | 1956 | 1957 | 1958 |
|--|------------------|------------------|------------------|------------------|
| Public Law 480: | <i>Mil. dol.</i> | <i>Mil. dol.</i> | <i>Mil. dol.</i> | <i>Mil. dol.</i> |
| Title I, sales for pesetas..... | 20.4 | 85.0 | 54.2 | 99.8 |
| Title II, emergency relief..... | -- | -- | 1.2 | .8 |
| Title III, donations..... | 13.9 | 20.4 | 18.7 | 13.3 |
| Title III, barter..... | 2.6 | 2.0 | .1 | (²) |
| Public Law 665, sec. 402..... | 46.2 | 42.8 | 15.7 | 26.1 |
| Total under specified government programs..... | 83.1 | 150.2 | 89.9 | (²) |
| Other agricultural exports ³ | 10.3 | 15.8 | 9.8 | (²) |
| Total agricultural exports..... | 93.4 | 166.0 | 99.7 | 144.4 |

¹ From reports compiled by Trade Statistics Branch, Trade Policy Division, FAS.

² Not available.

³ The noncomparability of the data available for the reporting of exports under government-financed programs may affect the reliability of these figures.

² Production and exports of table olives, not included in table 4, also rose sharply.

Furthermore, voluntary donations under Title III of P. L. 480 are not included in Spanish import statistics. According to U. S. statistics, relief food shipments amounted to nearly \$20 million a year during 1956 and 1957 and represented about 15 percent of the value of total U. S. exports of agricultural products to Spain during this period.

Few agricultural products have been imported from the United States in recent years outside of those provided for under P. L. 480 and section 402 of the Mutual Security Act or those financed by Export-Import Bank loans. Spain attempts to get most other essential agricultural imports under its bilateral agreements. There have been some exceptions, when supplies of certain products, for example vegetable oil, were considered so important as a means of holding down prices in the battle against inflation that they were imported even at the cost of depleting scarce dollar reserves still further. But such purchases have not been frequent. In the list of recent U. S. exports to Spain, sausage casings are the only item of any significance which has not been financed principally under U. S. aid programs.

The principal U. S. agricultural products imported by Spain during 1956-58 were vegetable oils (principally soybean oil) and cotton. These accounted for over 70 percent of total U. S. agricultural exports to Spain during that period. Other important items, in the order of their value, were meat, feed grains, tobacco, tallow, eggs, and wheat.

Soybean oil. --As indicated previously, vegetable oil has just recently become an important agricultural import for Spain. Olive oil production has decreased somewhat as compared with that before the Civil War, in spite of a 9 percent increase in the acreage of producing trees. Demand, on the other hand, has increased substantially in the last few years, owing not only to population growth, but also to the rising standard of living accompanying industrial expansion.

Of Spain's 5.6 million acres in olive trees in 1956, some 7 percent, or 400,000 acres, were in young trees not yet bearing. The Spanish Government is attempting to bring about further expansion of olive acreage, improve cultivation practices in existing groves, enforce cultivation of soybeans and peanuts in certain areas, and also enforce the pressing of cottonseed for oil. It is likely that Spain may in the future be able to provide more of its own vegetable oil requirements than at present. But the chances are that it will still rely on foreign sources for a sizable part of its supply, not only for its own requirements but also to enable continuation of its exports of olive oil.

When U. S. soybean oil was first shipped to Spain it met some consumer opposition, largely because of improper refining of the oil before it was blended with olive oil for edible use. This problem has now been largely overcome as a result of technical assistance to the Spanish industry financed by market development funds under P. L. 480. Long-term prospects therefore appear to be fairly bright for U. S. exports to Spain. Although for the time being exports will probably be limited chiefly to sales for pesetas, these are important to the U. S. soybean oil industry from the standpoint not only of current surplus disposal but also of market development for the future.

Cotton. --From 1953 through 1955 cotton accounted for about 38 percent of Spain's total agricultural imports, and 55 percent of its agricultural imports from the United States. Its relative importance then declined to 20 percent of Spain's total agricultural imports and 28 percent of those from the United States during 1956 and 1957. Spain's total cotton imports also declined substantially in absolute terms, averaging nearly 90,000 bales (over one-fourth) less in 1956 and 1957 than during 1953-55.

The U. S. share of Spain's total cotton imports increased appreciably, from 55 percent during 1952-54 (years beginning August 1) to 74 percent during 1955-57, although the average quantity shipped declined from 181,000 bales during the former period to 174,000 bales in the latter. Beginning with 1954, practically all shipments were made under the Mutual Security Act and P. L. 480. Other important sources of cotton for Spain are Brazil, Egypt (extra long staple), and Mexico. Spain has bilateral trade agreements with these three countries.

TABLE 6.--U. S. agricultural exports to Spain:¹ Value by principal commodities, 1956-58

| Commodity | 1956 | 1957 | 1958 |
|-------------------------------------|------------------|------------------|------------------|
| | <i>Mil. dol.</i> | <i>Mil. dol.</i> | <i>Mil. dol.</i> |
| Beef and veal, fresh or frozen..... | 11.3 | 10.3 | (²) |
| Other meats..... | (²) | 2.4 | (²) |
| Sausage casings..... | .6 | .6 | .9 |
| Eggs in the shell..... | 2.2 | .1 | 1.8 |
| Tallow, inedible..... | 3.0 | 3.3 | .1 |
| Cotton, unmanufactured..... | 39.3 | 14.7 | 53.0 |
| Barley..... | .3 | 3.8 | 3.0 |
| Corn..... | 2.4 | 1.7 | 2.3 |
| Wheat..... | 1.2 | 1.0 | (²) |
| Sorghum..... | (²) | (²) | .9 |
| Linseed oil..... | (²) | .5 | (²) |
| Cottonseed oil..... | 14.7 | (²) | (²) |
| Soybean oil..... | 64.2 | 39.8 | 64.3 |
| Tobacco, flue-cured..... | 2.2 | 1.8 | 3.6 |
| Tobacco, other..... | .3 | .2 | .2 |
| Potatoes..... | 1.4 | (²) | (²) |
| Food for relief or charity..... | 20.9 | 19.2 | 13.9 |
| Other agricultural products..... | 2.0 | .3 | .4 |
| Total..... | 166.0 | 99.7 | 144.4 |

¹ Excluding the Canary Islands.² None or included in "Other."

Though Spanish cotton consumption has increased considerably during recent years, cotton production has increased much more. It averaged less than 20,000 bales during both 1931-35 and 1946-49, but increased to an average of 60,000 bales during 1950-54, to 155,000 bales in 1955, and to 223,000 bales in 1956. Production declined in 1957 to 176,000 bales, principally because plantings were smaller owing to unremunerative prices. This crop supplied only about 35 percent of the country's total consumption of nearly 500,000 bales. Prices paid to farmers were thereupon increased for the 1958 season, and preliminary estimates indicate a crop considerably higher than in 1957, though not so high as in 1956. Future expansion of cotton production will depend largely on the Spanish Government's price policy. If the present policy of fixing prices well above world levels is continued, further expansion of cotton production can be expected. At competitive prices, production would probably drop sharply.

No matter what pricing policy Spain follows, however, production can hardly go as high as consumption, which is likely to continue to rise with population growth and improved standards of living. Spain will probably remain a fairly important market for United States cotton, certainly as long as sales for pesetas are possible, and in the long run also if U. S. prices are competitive.

Meat. --Imports of meat by Spain were very small before 1956, averaging less than 2,000 metric tons from all sources during 1953-55. In 1956, over 19,000 tons of frozen meat was imported, in 1957 some 32,000 tons, and during the first 10 months of 1958 over 24,000 tons. Over half the meat Spain imported during 1956 and 1957 was beef from the United States. In 1957 it also imported over 1,000 tons of U. S. pork products. Practically all of these shipments were made under the Mutual Security Act and P. L. 480. During 1958, when meat was not included under these programs for Spain, no U. S. meat was exported to Spain. Outside of imports from the United States under special programs, Spain has obtained most of its meat imports from countries with which it has bilateral trade agreements.

Spanish demand for meat will probably continue to rise and, in spite of efforts to increase domestic livestock production, Spain may well be importing increasing amounts of meat to satisfy domestic demand and keep down meat prices. However, for the time being meat probably will not be purchased from the United States unless it is available under U. S. surplus disposal programs, at least as long as it can be obtained under bilateral agreements.

Grains. --Wheat has been an important U. S. export to Spain in the past, but since 1954 it has had minor significance. Spanish exports of wheat have even exceeded imports in some recent years. Currently Spain has agreements with Egypt under which it is exchanging Spanish wheat for Egyptian cotton.

The situation could change quickly, however, should Spain have one or two crop failures. It does not have a large wheat surplus to fall back on, and its weather conditions are notoriously uncertain. In contrast to vegetable oil and meat consumption, however, the trend in per capita wheat consumption is downward. Spain will probably continue to produce practically all of its own wheat supplies except under unusual conditions.

On the other hand, though feed-grain exports to Spain have been small in the past, they have begun to gain some importance in recent years. Spain's feed-grain requirements will continue to increase if it succeeds in expanding its livestock production. But in the long run, Spain will probably be able to increase its own feed-grain production to meet this need.

Tobacco. --In contrast to most of the other products discussed, the tobacco imported from the United States represents only a relatively small part of total Spanish tobacco imports. The Spanish Tobacco Monopoly's imports averaged about 20,000 tons (some 44 million pounds) during 1953-57, of which about 10 percent came from the United States (nearly 14 percent in 1956-57). Imports of tobacco from the United States were considerably larger according to these Spanish import statistics than U. S. export statistics would indicate.

Spain's tobacco production during 1953-57 averaged about 30,000 metric tons (nearly 67,000,000 pounds), about four times the average production during 1931-35 and nearly twice the 1947-51 level. Total imports during 1953-57 were about two-thirds of the 1931-35 level, but about the same as in 1947-51. Consumption of tobacco has thus clearly increased at a rate higher than accounted for by population growth. There are indications, however, that expansion of consumption has slowed down in recent years.

The major suppliers of tobacco to Spain are Brazil, the Philippines, Cuba and, in some years, the Dominican Republic. The tobacco purchased from these countries consists principally of dark leaf of inferior grade, a type in which the United States is not competitive.